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FOSTER CARE COMPENSATION  
BACKGROUND TO THE RATES REPORT

September 26, 1980

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## INTRODUCTION

The following report is designed to review the Ministry's philosophy and to provide the underlying rationale that forms the basis for compensating foster parents for common costs associated with foster child care.

Specifically, this report reviews:

- the process followed in preparing the report
- the principles developed that guided the compensation study
- the study process itself, conclusions and recommendations
- the issue of when compensation should begin and end
- the administration of a compensation system.

The report does not cover: dollars attached to the rate structure; the administration of rates by service providers; the compensation levels; or the areas of the report that will be mandated by the Ministry. This information will be the subject of the next report.

The paper is intended to establish the philosophical basis for the payment of child care costs incurred by foster parents. The paper does not cover the rationale for the development of group care rates. Group care rates not only include payment for the expense of the child in care but also payment to the care giver.





## THE PROBLEMS

The Children's Services Division, Ministry of Community and Social Services released for discussion a paper on foster care in 1979. In the paper, it was noted that there were 40 different basic rate structures in the 51 children's aid societies. Further, reportedly there was no rationale underlying the existing rates systems, although a number of attempts to review the system have been made over the past decade by the societies themselves. Other groups using foster care, e.g. Probation and Aftercare, Mental Retardation, or Children's Mental Health Centres, also have their own systems of compensating foster parents.

The foster care compensation systems were complicated further by "supplementary" or "special rates". An additional amount was added on to the basic compensation structure, for foster children that are handicapped or present difficult management problems. Not every society used a set criteria to determine when a "supplementary" or "special rate" should be paid. In short, the foster care compensation system was a "hodge podge" of different compensation systems and rates.

This situation has persisted; the problems created by this chaotic system are essentially threefold:

First, some of the lowest rate structures do not compensate foster parents for out-of-pocket expenses associated directly with child care. This apparently forces some foster parents to quit fostering because they cannot afford the additional expense.

Second, differential rate levels particularly for adolescents and difficult-to-manage children create inter-agency competition for the same foster parents. The most frequently cited area of competition is between probation and aftercare and local children's aid societies where foster parents care for similar children in similar locales, but are compensated at different levels.

Third, foster care rates are frequently taken as a measure of the agencies' regard of fostering by foster parents. Foster parents feel they are not respected by a society or an agency when inequities occur in the system.

The Journal's Review Board, Ministry of Community and Social Services reviewed the manuscript in 1978 and 1979. In 1978, it was found that there were 40 different basic review comments in the 10 categories and 100 different comments in the 10 categories. In 1979, it was found that there were 40 different basic review comments in the 10 categories and 100 different comments in the 10 categories. In 1978, it was found that there were 40 different basic review comments in the 10 categories and 100 different comments in the 10 categories. In 1979, it was found that there were 40 different basic review comments in the 10 categories and 100 different comments in the 10 categories.

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## THE COMMITTEE ORGANIZATION

In the fall of 1979, a committee on foster care rates was established as one of three working groups to develop a series of initiatives aimed at enhancing foster care. The foster care rates committee consisted of representatives from:

- Children's Aid Societies
- Foster Parents Association
- Children's Services Division field operations
- Probation and Aftercare
- Children's Services Division Operational Support

It was recognized during the planning phase of the initiatives process that the development, co-ordination and implementation of the foster care initiatives should involve representatives from groups directly affected by the initiatives. This representation was achieved by organizing a Steering Committee that oversaw the working committees and reviewed all phases of the initiatives process. Representation on that committee consisted of members from:

- Probation and Aftercare
- Children's Aid Societies
- Mental Retardation
- Children's Services Division Policy
- Children's Services Division Standards
- Children's Services Division field operations
- Children's Services Division operational support
- Foster Parents Association of Ontario
- Municipal associations

The objectives of the rates sub-committee were:

1. To develop a rationale or philosophical framework for payment to foster parents.
2. To set out a schedule of rates that reflects that rationale.
3. To calculate the financial impact to the Province of the proposed compensation scheme.
4. To develop a process for changing existing compensation systems within the Province over to the proposed system.

The rates sub-committee was able to draw on specialists to assist them. The rates report itself was completed by consultants from Market Perspectives Ltd. while background data was developed by research staff. Minutes of the rates sub-committee were filed with members of the Steering Committee. At selected meetings of the Steering Committee progress reports were brought forward for members' reaction and approval before proceeding.





## THE COMMITTEE PROCESS

The sub-committee had to break down the task of developing a compensation system into a series of steps. Briefly stated, it approached the problem in the following way:

- The sub-committee decided to review expenditures for foster children that were common to all foster parents. This included costs for "regular" foster care where compensation is generally for direct costs, but also would include that portion of costs for more specialized care that represented the common cost elements involved in general child care.
- The sub-committee decided against a lengthy comparison of existing structures and opted instead to develop its own categorization drawing on background materials and personal experience.
- All major cost items that the sub-committee felt should be considered as part of a foster parent compensation scheme were listed.
- The sub-committee reviewed the items as they were developed and noted whether the members felt they were common to all foster care or were costs that were part of specialized foster care. This list was approved by the Steering Committee.
- A review of variables that appeared to affect cost items was completed by the sub-committee. This listing was subsequently reduced to only significant variables and approved by the Steering Committee.
- The sub-committee reviewed its list of items and attempted to summarize some general principles that formed the rationale for common cost elements in foster care compensation system. This rationale and the list were reviewed and edited by the Steering Committee.
- The sub-committee reviewed several cost-of-living indices and recommended one that could be used to note periodic cost changes.



- The sub-committee then forwarded this approved list of items, variables and cost of living indices to the consulting firm to evaluate and cost. The consulting firm's subsequent report was reviewed by the sub-committee and edited several times.
- The sub-committee looked at when payments should start, how long they should be continued and when they should be adjusted.
- The consultants report and the sub-committee minutes indicating when rates should be paid were tabled and approved by the Steering Committee.

This particular report encompasses all of these steps and has been reviewed and approved by Ministry management and policy groups. The Steering Committee is currently reviewing a set of guidelines developed by the sub-committee to apply to children coming into care that will separate "regular" from "specialized" care costs for the exceptional child. However, it is worth summarizing the principles the sub-committee determined for regular foster care.

1. Foster parents should be compensated for all out-of-pocket expenses.
2. Shelter costs - although not entirely direct costs - should be recognized in the payment scheme.
3. Foster care compensation costs should consist of items that can be sub-divided into basic rate items and basic cost (expensible) items.
4. The rates system should be tied to data that reflects cost-of-living changes and reviewed regularly.
5. The rates system should be built around the ease and convenience of foster parents, and not the needs of the accounting system.





## STUDY APPROACH

The study process followed in developing the rates structure is illustrated in Exhibit 1 and described briefly below.

The first component of the study, the definition of the cost elements to be considered, was the responsibility of the rates subcommittee. The sub-committee agreed to a long list of sixteen foster care cost elements. This original list of cost elements included: food, personal hygiene, clothing, health, religion, use of money, personal belongings, discipline, recreation, education, transportation (travel and holidays), maintenance or natural family relationships, insurance, shelter, parental relief, and honoraria (a flat rate for service). Subsequent discussions resulted in "discipline" and the "honoraria" being deleted from the list leaving fourteen cost elements for consideration.

As part of the exercise described above, the sub-committee also considered a number of "variables" which could be expected to influence foster care costs and the definition of "rates". These included: age, sex, geographic location, socio-economic status, dwelling unit type, location type (rural/urban), cultural factors, grooming, type of home, and length of stay etc. Of this long list, age, sex, geographic location, dwelling unit type and cultural factors were identified as being worthy of further investigation.

It was agreed that a consulting firm, (Market Perspectives Ltd.) would identify and review cost data pertaining to as many of the fourteen cost elements as possible and make recommendations with respect to: 1) the best way to estimate the costs associated with each element; 2) the best way to update rates given cost increases; 3) the demographic and local descriptive variables which should be considered in defining agency rates; 4) the split between those elements covered in the rates and those which should be treated as reimbursable expenses.

The long list of cost elements was reviewed in the light of assumptions about foster care compensation, ideas from literature, and available data pertaining to the costs of raising children.

The review of the list was primarily concerned with the extent to which (and how) the real costs of raising a specific child can be estimated in advance for incorporation into a regular foster care rate considering such variables as age, sex, geographic location, dwelling unit type and cultural factors.

Given the results of this review, and considering administrative issues and foster parent concerns, conclusions and recommendations were developed, as indicated in the section of this report entitled "Conclusions & Recommendations" (also see Exhibit I, item 8).





At this point the consultant addressed: 1) the development of a short list of cost(able) categories considering available data; 2) the definition of appropriate demographic categories for rates definition; 3) the identification of those variables which demonstrably influence costs and can be considered in the base rate; 4) the development of a recommended approach to compensation for each cost category and estimated rates and total costs for each element; 5) the selection of an appropriate basis for keeping rates and total compensation in line with the cost of living.

In assessing compensation options for the various cost elements, a number of factors were kept in mind, including: 1) the likely response of foster parents to different compensation schemes (given their apparent concerns with respect to the administration of present compensation); 2) variations in the real costs of specific cost elements for individual children (in specific age/sex groups); 3) the administrative costs of different compensation schemes; 4) trade-offs between the need for precision (to reflect true costs) and the need to have an understandable compensation system.

#### **BACKGROUND AND ASSUMPTIONS** (Exhibit 1, item 2)

In considering alternatives to present compensation practices, a number of "givens" noted above were reviewed which define the philosophical basis for regular foster care compensation. To repeat, such compensation is to reimburse foster parents for actual out-of-pocket expenses (but not for their time or expertise). The level of compensation should allow the foster child to be treated as a member of the family (to enjoy the same "level of living" as other children in the family). While fostering should not result in a net increase to the family's income it must not lead to a decline in the foster family's "level of living". There is some indication that this is occurring at the present time.

In developing "cost" data it was assumed that the average foster family's "level of living" is middle income (3rd income quintile). Given that the average foster family appears to be below average in income (2nd income quintile) this assumption may result in a small financial incentive to some foster parents. Also, in assessing the incremental costs associated with fostering, it was assumed that he/she is the only child in the home. As this is not normally the case and the first child usually costs more than the second and third, this may also overstate the average costs somewhat. However, it must be remembered that the costs associated with raising foster children are likely to be higher than those for natural children, if only because the duration of placement is often short and start-up costs (especially for clothing) can be substantial. Therefore, the Steering Committee and rates sub-committee agreed that these necessary simplifying assumptions are both reasonable and appropriate.



## THE DATA (Exhibit 1, item 4)

Four major types of data were considered during the study: empirical data on the consumption of specific commodities and services by families and individuals (e.g. Urban Family Expenditures (in Canada) in 1974 and 1976); empirical data on the cost of various commodities in Ontario communities (e.g. Ontario Food Price Monitoring Program reports); estimated budgetary standards setting out the amount and/or cost of specific goods and services required to support both individuals and households at a specific standard (the Social Planning Council of Metropolitan Toronto's "Guides to Family Budgeting, 1978" and the Visiting Homemakers Association's "Average Costs for Food for Meals At Home In Toronto" which is updated semi-annually)<sup>1</sup>; and data on the current practices of children's aid societies in Ontario and elsewhere with respect to regular foster care rates and allowances.<sup>2</sup>

The "Guides to Family Budgeting" and "Average Costs For Food For Meals At Home" proved to be the best available "costs" data for purposes of this report in that they relate to individual children of different ages rather than to aggregate consumption units (families or households). Discussions with the authors of these sources revealed that they both apply to the second quintile group (below average income) and would therefore have to be adjusted upward to the third income quintile to satisfy the assumption listed above.

## REVIEW OF COST ELEMENTS AND RELATED ISSUES

A lengthy and detailed review was completed. Each element, as defined by the rates sub-committee, was discussed in terms of definition, related policy or analysis issues, available (useful) cost and cost escalation data, and general conclusions and comments. Major conclusions with respect to each of the original fourteen cost elements defined by the rates subcommittee are summarized below.

### Food

Under the heading "Food" the sub-committee considered the costs associated with average food requirements<sup>3</sup> appropriate to a given age group. Major issues considered in relation to food costs include: regional cost differences; rural-urban cost differences; and the definition of appropriate age breakdowns in the light of empirical information.

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1 The "Guides" incorporate the Visiting Homemakers Association's "Average Food Costs".

2 The bibliography presents a more complete list of reference and source material.

3 Three meals per day and snacks at home but not considering any special dietary requirements (except for baby food and formula).





As indicated above, the Visiting Homemakers Association's "Average Costs" proved to be the most useful single source of information on food costs because they relate to individuals of different ages and are based on a combination of expert opinion and empirical data (a survey of families receiving assistance from the Association). This source relates to Toronto but can be adjusted to reflect the regional cost difference identified by the Ontario Food Monitoring Programme.

It was pointed out that the Visiting Homemakers Association's data, which is updated semi-annually, pertains only to food at home, ignoring the costs of that increasing proportion of food which is consumed in restaurants (most notably in fast food establishments). After this phenomenon was investigated, it was concluded that the costs associated with one or two visits to a fast food outlet per week will not significantly influence the costs for food at home or total food costs and can therefore be safely ignored.

### **Personal Hygiene**

As set out by the rates sub-committee, "personal hygiene" is meant to include such personal care items as toiletry articles, combs and bedding. This category might also include diapers for babies. Two major issues were considered in relation to personal hygiene. These included the actual definition of the category (given that Statistics Canada and the Social Planning Council differentiate between "personal care"<sup>1</sup> items which relate more to individuals (combs and toiletry articles) and "household operation"<sup>2</sup> (related items which tend to be shared), and the regional cost differences for such items. Also, a policy issue was raised with respect to compensation for the substantial costs associated with using disposable diapers.

The Social Planning Council's "Guides for Family Budgeting" appears to provide the only reasonable basis for estimating "personal care" costs by age (and sex) and limited data is available through the Ontario Ministry of Consumer and Corporate Relations which pertains to regional differences in the costs of such items.

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<sup>1</sup> For our purposes "personal care" includes costs for haircuts, hairbrush and comb, razor and razor blades, sanitary napkins, hair tint, lipsticks, etc.

<sup>2</sup> "Household operation" related costs include bedding, towels, face clothes (part of "Furnishings and Equipment" according to Statistics Canada), facial tissues, soap and shampoo, items which are normally used by more than one member of the household.





## **Clothing**

Clothing costs include those associated with the initial provision of a wardrobe and the maintenance of this wardrobe. Related issues which were considered included cost variations across the province, the impact of any climatic or style factors on average clothing costs for children, and the administration of reimbursement for clothing.

The review suggested that the Social Planning Council's "Guides to Family Budgeting" provides the only reasonable basis for setting age-specific clothing rates and defining both a basic wardrobe, and appropriate maintenance (replacement) cost estimates. It is evident that a substantial proportion of clothing costs for children in care would relate to the establishment of a basic wardrobe and therefore a major portion of clothing costs will have to be "expensed" by definition.

Available data suggest that clothing costs are higher in the North by about ten percent.

## **Health**

Health costs include the provision of medical check-ups and the costs of both prescription and non-prescription medicines. Included under health costs are those costs associated with transporting children to and from doctor's offices or hospitals. Issues considered in relation to health costs included the handling of major expenses such as orthodontal work, a policy issue, and the definition of which health costs could be built into the basic rate and which costs would have to be expensed.

While a variety of information was uncovered pertaining to average health costs, and average yearly travel associated with medical and dental visits, it became evident that because of the great variation in the incidence of major health expenditures, only "medicine chest" items and perhaps mileage could be realistically included within basic foster care rates.

During our discussions it was pointed out that increasingly doctors are opting out of OHIP, raising another important issue. Given that foster children may have the right to choose their own doctor, how are the additional costs to be handled by the system? Unfortunately, this issue could not be resolved.

## **Religion**

"Religion costs" include money for church offerings. The major issue raised with respect to this cost item was whether or not it should be considered separately at all, given that neither relevant data nor any logical basis for estimating these costs was discovered.



## **Use of Money**

This cost element includes: spending allowance and the provision for gifts to the child, or from the child. The major issue related to the use of money is the definition of what the spending allowance is meant to cover.

An additional issue related to the philosophical position that foster children should be treated as other "members of the family" with respect to both gift-giving and spending allowance. This position has definite implications for the administration of this category of expenditures.

Available data pertaining to the use of money suggests that present practices and definitions (age groups) vary greatly over the province, with some agencies having a flat rate for relatively few age ranges and other agencies having the spending allowance set by the foster parent and child. It is interesting to note that for the 13+ age categories in 1978, the level of allowance in the province varied from ten to twenty dollars per month, almost exactly the same range which was evident in the Guelph and Wellington County Children's Aid Society, where rates were set by agreement between the foster child, foster parents and social worker.

## **Personal Belongings**

Under personal belongings were considered the storage, operation, and/or maintenance of the personal belongings of foster children, including such things as a suitcase, batteries for toys and radios, and repairs to radios or tape recorders.

While no useful information was found with respect to the cost for such items, it was evident that the provision of storage for personal belongings (for example, a suitcase) is a one-time item which should be handled as an expense when the need arises. Other costs can be built into the foster care rate, except in exceptional circumstances.

## **Recreation**

Recreation costs include those associated with the transportation of children (by car) to games, shows or cultural events, the costs of sporting equipment, and the fees and expenses associated with sport and recreation. Issues associated with recreation costs included auto operating costs, and the incidence and annual mileage associated with recreational travel for children. While a number of data sources were uncovered related to these items, it is important to note that each of these expenses will vary greatly depending upon the specific child one is considering.







## Education

In this category are the direct costs of training materials, fees, and transportation associated with education and family life training (e.g. driver education). The major issue related to these costs is the extent to which they can be estimated in advance and thus included in a basic foster care rate. Available data suggest that the fixed education costs associated with raising a child are small except where it is necessary to purchase grade 13 texts. However, the expenses associated with driver education are "lumpy" and may be highly variable depending upon the options available to the student and the length of time it takes he or she to qualify for a driver's licence.

## Transportation

Costs included under this heading are for "extraordinary travel" associated with family vacations. Major issues relate to policy (e.g. should the foster child accompany the parents on a trip overseas) and the establishment of the true "incremental" costs of taking a child on vacation. It would appear that incremental transportation costs under this category are limited to air fare or train fare (if the agency policy were that foster parents should be reimbursed for taking children along on such vacations). Where auto travel is involved, the only incremental costs would be those associated with food and accommodation.

## Maintenance of Natural Family Relationships

These costs include those associated with travel or communications between the foster home and that of the natural parent(s).

Given that relatively few children are placed outside their home community, the normal expenses associated with the maintenance of natural family relationships will be small. Where such costs occur, they would be exceptional and should be treated as such (on an individual basis).

## Insurance

Under "insurance" the costs of liability insurance (for foster children, parents and agencies) and the costs of auto, home and contents insurance (for foster parents) were to be considered. However, the definition of said "costs" requires background information on the legal status of foster children and parents (in relevant situations) and the resolution of policy issues (e.g. what should be covered and how?) Information presented to the sub-committee indicated that: 1) insurance companies are not interested in providing individual coverage for liability and damage caused by foster children; 2) such coverage would be expensive; 3) the administration of such insurance would be difficult and costly due to the high turnover in foster homes. One possible policy option which emerged was that the Province provide self-insurance, as is currently done with Provincial Wards.

Given the above, insurance has not been considered as a distinct cost element in this particular study and is being reviewed by the Ministry separately.

## Shelter Costs

The rates sub-committee was interested in the implications of "opportunity cost" versus "marginal cost" as a basis for the establishment of shelter allowances for foster care. What are the practical and conceptual implications of these two approaches and how might each be operationalized?

As noted above, it is assumed that foster parents will be compensated for the actual costs of raising a foster child. However, a high proportion of present agency rates include a specific allowance for shelter, and it has been argued that foster parents suffer an opportunity loss in taking in a foster child (assuming that they could rent out the bedroom which is occupied by the foster child).

Given the assumptions used in placement, the only marginal shelter costs associated with fostering relates to increased "wear and tear" and associated operation, cleaning and maintenance costs. It is possible to identify the marginal costs of "household operation" which logically relate to the addition of a child to a household, and to estimate an appropriate monthly rate to cover these costs (i.e. \$30 per month in November, 1979)<sup>1</sup>. This would compensate foster parents for household cleaning supplies and related items which they normally purchase with family groceries and are not now compensated for. However, this still ignores the other household operation and maintenance costs associated with fostering (which are discussed in general terms in the literature).

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<sup>1</sup> Based on special tabulation of Urban Family Expenditures Data, 1974.





Two approaches were considered in estimating the "opportunity shelter costs" of fostering. These are: 1) a room rental approach which attempts to establish the market value of a room within a house in a specific agency's jurisdiction, and 2) an approach which attempts to estimate the average value of the space which is occupied by a foster child, considering house value and the size of the average bedroom in relation to average house size.

The room rental approach would tend to favour university towns at the expense of both Toronto and small towns or rural areas. This would appear to be inequitable.

The alternative approach is equally arbitrary but would be sensitive to average housing costs in individual municipalities. A possible method of implementing this would be to estimate the "average monthly value" of the space occupied by the foster child given current average resale values in each jurisdiction and current mortgage interest costs.

While "opportunity cost" based shelter allowances are at variance with the philosophy of compensation presented in this report, they will compensate foster parents for the costs of providing bedding, furniture, a normal amount of washing, and utilities etc. The inclusion of shelter costs recognizes the "wear and tear" on the home and personal belonging of the foster parents and compensates foster parents for the incidental breakage and wear on household items.

### **Parent Relief**

For purposes of this document, parental relief includes those costs associated with babysitting or child care during evenings out, and/or vacations. Other forms of parental relief are covered in another policy document - Report from the Support Services Sub-Committee. What is the appropriate frequency of such outings, and the average cost per outing (a function of babysitting/child care)? Given individual families and foster children, it may or may not be possible to build such costs within the rate. If the family's level of living prior to fostering sets their expectations with respect to evenings out and holidays and there are substantial variations in these expectations, it may be impossible to define an equitable rate. In this situation it may be necessary to treat this as an expensible item (subject to a specified policy guideline).



### **Impact of Variables**

The review of fourteen cost elements in the light of available data suggested that only age and geographic location variables should be considered in defining regular foster care rates. While sex does influence both food and clothing costs for teenagers these effects tend to cancel each other out. The other variables identified by the sub-committee could not be empirically related to the costs of raising children given available data.





## CONCLUSIONS AND RECOMMENDATIONS

### Overview

Given the review of individual cost elements, conclusions emerged about those cost components which should be recognized in foster care compensation and how each might best be compensated for (that is - the definition of age ranges to be employed in rate structures, what is to be included within the basic rate structures, what is to be included within the basic rate, and what is to be treated as a reimbursable item, and expenses.).

As noted above only the age and geographic location variables appear to have a consistent and measurable effect on costs.

Three age categories were recommended as a basis for foster care rates within the province: 0-6, 7-12, and 13+. These three categories appear to capture the most significant differences in food, clothing, and spending allowance costs, those elements which vary most significantly with age. It is recognized that no particular age grouping will satisfy everyone but there is a need to be arbitrary to maintain simplicity in the system. As well, these categories are fairly consistent with current practice in the province.

In defining rates it was recommended that higher northern costs be recognized where they can be documented (as for food and clothing).

The original fourteen cost elements were reduced to seven basic categories of expenditure which can be accounted for in defining foster care compensation given available data, as indicated in Exhibit 2. These are: 1) food, 2) clothing, 3) personal care, 4) shelter/household operation, 5) spending allowance, 6) transporation, 7) other fees and expenses.

Note that Insurance and Religion are not included among or within the seven cost components for the reasons indicated above. Each remaining cost component is reviewed below.

### 1. Food

For food it is recommended that the Visiting Homemakers Association's "Average Costs For Food At Home" be used to set the basic rate for the three age groups. These costs, which reflect a second quintile living standard and Toronto conditions, can be factored up to represent average income (third quintile) living levels. Base rates can be expected to adequately compensate for all food costs save for formula and baby food which should be "expensed".

Regional differences in food costs can be taken into account in base rates by employing factors which are published monthly by the Ontario Food Monitoring Program.



In general, the Food Monitoring Program suggests that food costs in Southern Ontario are similar to those in Toronto, while food costs in northwestern and northeastern Ontario are five to fifteen percent higher. Given the variations that are evident in the Food Monitoring Program, it was suggested that a flat ten percent factor be employed in estimating food costs in northern Ontario.

Food costs can be updated annually using either the Visiting Homemakers Association's figures or Statistic Canada's Consumer Price Index for food. The advantage with the Visiting Homemakers Association's figures is that they are sensitive to the differing rates of price escalation which apply to foods consumed by different age groups. This is particularly important for infants.

## 2. Clothing

The Social Planning Council of Metropolitan Toronto's "Guides", which are based on expert opinion and relate to natural children, can be employed to define a basic wardrobe in order to set the "first costs" for clothing for specific age/sex groups, and to suggest appropriate maintenance levels.

However, foster children and their circumstances vary greatly and there is some suggestion that average clothing costs for foster children are higher than the costs indicated in "the Guides". For example, whereas the Ontario Probation and Aftercare system spent (early 1980) up to \$300 plus \$20 per month on its teenage foster children for clothing (\$540 per annum) the "Guides" for the same period suggested that only \$350 per annum was required to clothe a female of age 15-18. Substantially less is required (according to the source) to clothe a male of the same age. The adjustment of these data to reflect an "average income" level of living, rather than a "below average" (second quintile) living level, would not increase the "Guides" figures by more than 10%.

Given the above, and the variation in clothing costs for different children because of personal attributes (such as rapid physical development and change) or circumstance (length of placement), the development of an equitable compensation system requires that most clothing costs be "expensed" (foster parents make purchases given agency guidelines and submit expense claims to the agencies).

It was felt that it would be advisable to include a small proportion of expected clothing costs in the base rate so as to assure that foster parents are compensated for small clothing expenditures (e.g. for girls stockings, or boys socks) which they might not otherwise claim. This "base rate" could be kept in line with costs using the Consumer Price Index for Clothing (Girls and Boys).





The "guides" clothing costs, appropriately inflated to account for the higher average clothing costs associated with foster children and the higher clothing costs in Northern Ontario<sup>1</sup>, provide a basis for estimating total clothing costs by age. While such estimates are suitable for our purposes they are approximate and should be refined later.

### 3. Personal Care

Of the original "personal hygiene" category, those items which are not normally associated with individuals or purchased with food should be included under "household operation" (e.g. shampoo, soap, tissues). For the remaining costs, the "Guides" define a stock of personal care items and services which can be used in setting foster care rates.

As mentioned above, disposable diapers are a separate component of "personal care" for infants which must be "expensed" because the costs vary greatly for children of the same age.

### 4. Shelter/Household Operation

As indicated above, shelter and household operation can be conveniently considered as one category. Incremental household operations costs which cover communications, cleaning supplies, paper supplies, and medicine chest items can be estimated.

The "opportunity cost" approach considering average housing costs presented above was adopted, and it will be possible to incorporate into foster care rates a "shelter cost allowance" which would reflect housing standards and costs in local areas. Assuming that the average bedroom occupied by a foster child accounts for ten percent of the total space of the average house, that the average house is approximately twelve hundred square feet, and that the monthly value of this space is one percent of the average house value (say \$60,000), this approach would imply a shelter allowance of sixty dollars per month.

While shelter costs are not true out-of-pocket costs, they are widely recognized in present base rates. The "opportunity cost" approach offers a consistent and equitable approach to this aspect of compensation and is meant to cover those household operation and maintenance costs not otherwise recognized (furniture, bedding and wear-and-tear, associated with foster children as opposed to deliberate damage).

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<sup>1</sup> Limited information collected in 1975 by the Ontario Ministry of Community and Commercial Relations suggests that northern clothing costs are approximately 10% higher than Toronto.



## 5. Spending Allowance

"Spending allowance" is a separate category of expenditure which is now recognized by foster care agencies in the province. Two possible approaches were considered in relation to spending allowances: 1) establish (empirically) an average level of spending allowance by age group in the province or 2) recognize the levels of spending allowance which apply for other children in foster homes. It was accepted that foster children should enjoy the same "level of living" as other children in foster homes and it then followed that the latter approach to spending allowance compensation should be adopted. Given this approach, it was necessary to estimate average spending allowances in the province by age for budgetary purposes, based on a survey of current practices.

## 6. Transportation

"Transportation" expenditures are associated with health care, education, recreation and natural family relationship, and foster parent development. However, a number of these individual expenditures are quite small and are normally not reimbursed given existing compensation procedures. If such expenditures are to be recognized, either a mileage allowance should be built into the foster care rate (based on estimates of the average amount of travel for all purposes by location type) or alternatively, all such expenditures should be expensed.

Given the time and trouble associated with submitting expense claim forms for small amounts, it would appear more equitable to incorporate a basic mileage allowance into the base foster care rate, and establish specific circumstances where foster parents can ask to be reimbursed for extraordinary mileage (such as in situations where health problems or particular activities of the foster child require the foster parent to transport the child over extended distances and/or an extended period of time).

## 7. Other Fees and Expenses

The seventh expenditure category relates to other fees and expenses including those residual costs and fees associated with sports, gifts, personal belongings, travel, holidays, natural family relationships, parental relief, medical care and education expenses.

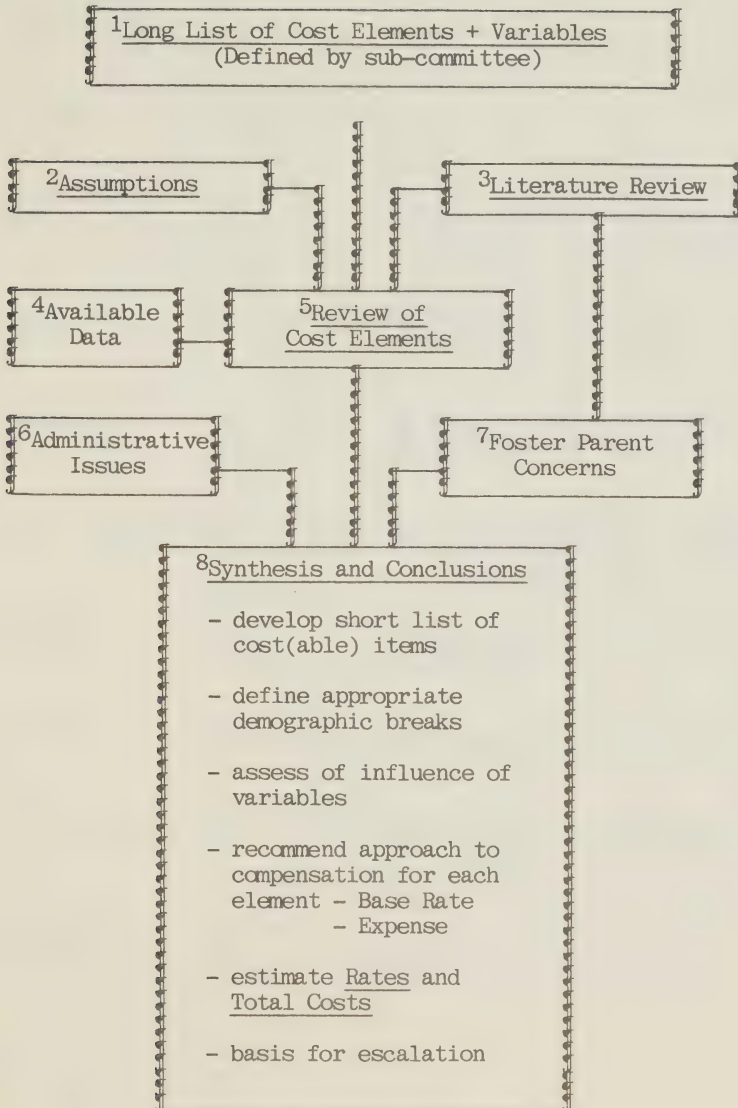
At the present time most agencies treat major medical and recreation expenditures as cost items, and given a great variation between individuals it was recommended that this practice be continued. While unusual or unanticipated expenditures are best expensed, it would appear to be feasible to establish a separate component of the basic rate which would recognize usual expenditures associated with recreation and education based on the "Guides". Extraordinary recreation and education expenditures (such as driver training and grade 13 texts) must be treated as reimbursable items.





E X H I B I T 1

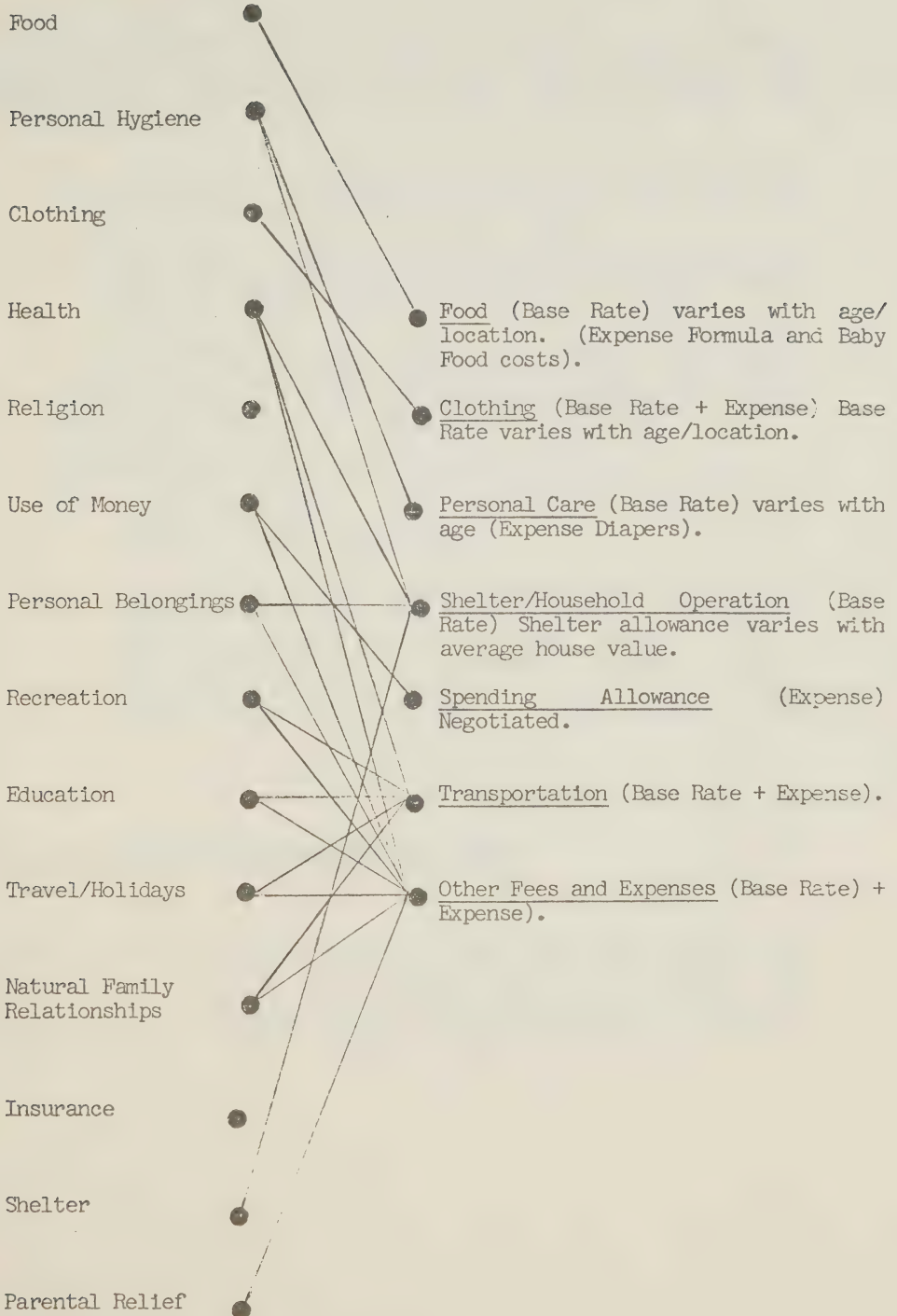
STUDY APPROACH





## EXHIBIT 2

### COST ELEMENTS TO COST(ABLE) COMPONENTS







### WHEN RATES SHOULD BE APPLIED

There is considerable variation within the province as to when a foster parent begins receiving compensation for a child and when payment ceases. The sub-committee reviewed these discrepancies and recommended the following:

1. Full compensation should include the day a child enters the foster home and the day the child leaves.
2. Rates should continue when the child is absent from the home on planned visits, vacations, including agency sponsored outings for a minimum of seven (7) days.
3. Rates should normally continue for seven (7) days while a child is in hospital for treatment. Rates may continue beyond seven (7) days if the agency decides the foster parents have a continued interest in the child.
4. Rates should continue for a minimum of seven (7) days when a child has eloped. Rates may continue beyond seven (7) days if the agency decides the foster parents have a continued interest in the child.
5. Rates should continue during absences when the child is engaged in a planned transfer process, in a voluntary return to a facility, or a group home, or on a court-extended leave for a minimum of seven (7) days. Rates may continue beyond seven (7) days if the agency decides the foster parents have a continued interest in the child.

### THE ADMINISTRATION OF THE COMPENSATION SCHEME

Another aspect of rates payment is how the whole process of compensation is handled from an accounting point of view. The sub-committee recognized that, perhaps equally as irritating as compensation levels themselves for foster parents was the effect of payment delays, late cheques, slow authorizations, etc.



To overcome this aspect of the rates system, the sub-committee made the following recommendations:

As a general comment, the sub-committee felt that service providers should recognize the financial value of goodwill and subsequent retention of foster parents as opposed to financial control. Put another way, the sub-committee emphasized that an accounting system services its foster parents and financial control should not inconvenience its users.

Financial control in foster care compensation has typically emphasized the need for pre-approval of foster parent claims by an agency worker, and reimbursement after the expenditure has occurred. This affects foster parents in three principal areas - daily per diem claims, pre-authorization of major purchases, and routine expensable claims submitted to the agencies by the foster parents themselves.

It was strongly felt that the risk of foster parents abusing the claim process was minimal compared to the goodwill generated by allowing maximum discretion on the part of foster parents to determine specific needs for children in their care. Also, in line with the philosophy of not creating out-of-pocket expenses, the claim system should not create "cash flow" problems for foster parents that result in their having to use their personal savings or paying interest on credit accounts.

With this in mind, the following procedures were suggested:

1. Foster parents be paid in advance when a child comes into care; i.e., they should not be expected to wait until the end of the first two weeks, or month, before being mailed their cheques for per diem rates. Agencies should recognize the potential for extraordinary start up costs and make allowance for that eventuality when required.
2. Foster parents be allowed to use personal credit cards for major purchases and the credit card receipt be proof of payment for reimbursement. Personal credit cards ensure maximum flexibility as to where purchases are made and guarantee the anonymity of the child.
3. Cheques for per diem (base) rates be mailed bi-weekly and payments for expensable (claimable) items be staggered with these payments to ensure a steady flow of funds.



4. Agencies structure maximum levels for expenditures for individual items as guidelines for foster parents and within these guidelines not concern themselves with pre-authorization. It is strongly recommended that the agencies be prepared to pay for the odd inappropriate expenditure by an indiscreet foster parent rather than compromise the goodwill of all of its foster parents by insisting on pre-authorization.
5. Lastly, base (per diem) rates cover all of those expenses that are recognized as being sufficiently regular to be allocated as a flat rate, and a small amount of money for incidental expenses that are difficult to record and claim. These are presented above and include such things as personal hygiene expenditures, small clothing items, and incidental travel.





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